

**EXAMINABLE ACCOUNTING PRONOUNCEMENTS  
FINANCIAL REPORTING  
QE PART I JANUARY 2010**

In terms of SAICA's Education Committee's (EDCO's) policy, the cut-off date for accounting statements examinable in Part I of the QE is:

*South African Statements of Generally Accepted Accounting Practice as issued by the South African Accounting Practice Board on or before 31 December, 12 months prior to the Part I of the Qualifying Examination being written **plus** significant changes to 30 June of the year preceeding the exam. In addition, any interpretations and circulars issued during the period (up to and including 30 June) relating to statements already examinable will be included in Part I of the Qualifying Examination.*

*For Part I of the Qualifying Examination 2010 the cut-off is therefore 31 December 2008 plus significant changes to 30 June 2009.*

**Your attention is specifically drawn to the following:**

- **The South African Standard on SMEs is examinable. The standard adopted by South Africa as GAAP is the International Exposure Draft. A copy of this standard does not appear in the SAICA Handbook and will be provided to candidates in the exam should this section be examined. (The new standard (IFRS for SMEs) issued in July 2009 will NOT be examined)**

**This pronouncement will be examined on the following levels:**

- **Scope section** *Level 3*
- **Other sections** *Not examinable*

- **Your attention is also drawn to the fact the Schedule 4 is examinable at *Level 1***
- **The Companies Act (2008) is not examinable for QE I 2010, but will be examinable in 2011**

The Companies Act (2008) is not examinable for QE I 2010 as the effective date for promulgation is expected to be 1 June or July 2010.

Departments of Accounting should review the changes to the Companies Act and determine the impact on all courses including supportive courses to ensure that all changes to the Companies Act, including Schedule 5 Transitional arrangements, are taught in the relevant academic years. (While SAICA will not be prescriptive as to when the Companies Act changes should be taught, it does not make sense for students in the earlier years to be taught legislation that will soon no longer be in effect.)

- Exposure Drafts are NOT examinable.
- Transitional arrangements contained in paragraphs in individual statements will NOT be examined in Part I of the Qualifying Examination.

The following is a complete list of Accounting pronouncements (per the IFRS handbook 2008/2009) to be examined in Part 1 of the QE in January 2010:

Note:

- Everything is examined at Level 3, unless otherwise indicated
- See comments relating to circulars on page 5

Level 1 = knowledge and awareness

Level 2 = Identification of underlying problems and simple calculations

Level 3 = Perform complex calculations and answer an integrated question relating to the specific topics.

| REFERENCE   | Abbreviated Title   | Updated to SAICA | Examinable In QE I 2010 |
|---|---|------------------|-------------------------|
| <b>Statements of Generally Accepted Accounting Practice</b>                           |   |                  |                         |
| <i>Included in the International Financial Reporting Standards, 2008/9, Volume 1A</i> |   |                  |                         |
|   | Framework for the Preparation and Presentation of Financial Statements  |                  | Yes                     |
| IFRS 2 (AC139)  | Share-based payments <ul style="list-style-type: none"> <li>▪ Valuation of options (App B, para B1 – B41) - <i>Level 2</i></li> <li>▪ Share-based payments where the terms of arrangement provides the counterparty with choice of settlement (para 35 – 40) – <b>EXCLUDED</b></li> </ul> | Nov 2008         | Yes                     |
| IFRS 3 (AC140)  | Business combinations <ul style="list-style-type: none"> <li>▪ Reverse acquisitions – <i>Para B19 – B27 are EXCLUDED (However, the identification of an acquirer is included (paras 6, 7 and elaborated upon in B13 to B18))</i></li> </ul>   | Nov 2008         | Yes                     |
| IFRS 5 (AC142)  | Non-current assets held for sale and discontinued operations  | Nov 2008         | Yes                     |
| IFRS 8 (AC145)  | Operating segments <ul style="list-style-type: none"> <li>▪ Disclosures (Paragraphs 20 to 34) - <i>Level 1</i></li> </ul>   | Nov 2008         | Yes                     |
| IAS 1 (AC101)   | Presentation of financial statements  | Nov 2008         | Yes                     |
| IAS 2 (AC108)   | Inventories   | Nov 2008         | Yes                     |
| <i>Included in the International Financial Reporting Standards, 2008/9, Volume 1B</i> |   |                  |                         |
| IAS 7 (AC118)   | Cash flow statements <ul style="list-style-type: none"> <li>▪ Foreign subsidiaries - <i>Level 1</i></li> </ul>  | Nov 2008         | Yes                     |
| IAS 8 (AC103)   | Accounting policies, changes in accounting estimates and errors   | Nov 2008         | Yes                     |
| IAS 10 (AC107)  | Events after the reporting period   | Nov 2008         | Yes                     |
| IAS 12 (AC102)  | Income taxes  | Nov 2008         | Yes                     |

|   |   |          |     |
|---|---|----------|-----|
|   | <ul style="list-style-type: none"> <li>▪ Paragraphs 38 to 45 - <b>EXCLUDED</b> and therefore no deferred tax to be provided on these items</li> </ul>   |          |     |
| IAS 16 (AC123)  | Property, plant and equipment   | Nov 2008 | Yes |
| IAS 17 (AC105)  | Leases <ul style="list-style-type: none"> <li>▪ Paragraphs 18 &amp; 19 - <b>EXCLUDED</b></li> </ul>   | Nov 2008 | Yes |
| IAS 18 (AC111)  | Revenue <ul style="list-style-type: none"> <li>▪ Appendix – Financial service fees – <b>Level 1</b></li> </ul>  | Nov 2008 | Yes |
| IAS 19 (AC116)  | Employee benefits <ul style="list-style-type: none"> <li>▪ Paragraphs 92 &amp; 93 (Corridor) – <b>level 1</b></li> <li>▪ Paragraphs 65 to 91 (Actuaries) – <b>level 1</b></li> <li>▪ Paragraphs 58(b), 58A, 58B, 60 (Anything on “Asset Ceilings” and related disclosures) - <b>EXCLUDED</b></li> </ul>   | Nov 2008 | Yes |
| IAS 20 (AC134)  | Accounting for government grants and disclosure of government assistance  | Nov 2008 | Yes |
| IAS 21 (AC112)  | The effects of changes in foreign exchange rates  | Nov 2008 | Yes |
| IAS 23 (AC114)  | Borrowing costs   | Nov 2008 | Yes |
| IAS 24 (AC126)  | Related party disclosure – <b>Amendments In respect of State-owned Entities expected to be published in 2009 - EXCLUDED</b>   | Nov 2008 | Yes |
| IAS27(AC132)  | Consolidated and separate financial statements <ul style="list-style-type: none"> <li>▪ Cross holdings – <b>EXCLUDED</b></li> </ul> <b>Consolidation journals are examinable</b><br>Consolidation journals will be examined in Part I of the Qualifying Examination as part of the syllabus. While SAICA will not normally prescribe a particular method of calculation, we believe the method of using consolidation journals to be widely used in practice and an excellent way of assessing a candidate’s understanding. | Nov 2008 | Yes |
| IAS 28 (AC110)  | Investments in associates   | Nov 2008 | Yes |
| IAS 31 (AC119)  | <b>Interests in joint ventures - EXCLUDED – THE AMENDED STANDARD WILL BE EXAMINABLE IN 2011</b>   | Nov 2008 | No  |
| IAS 32 (AC125)  | Financial instruments: presentation <ul style="list-style-type: none"> <li>▪ Compound financial instruments – <b>Level 2</b></li> <li>▪ Puttable Financial Instruments and Obligations arising on Liquidation (IAS 32 par.16A – 16F) – <b>EXCLUDED</b></li> </ul>   | Nov 2008 | Yes |
| IAS 33 (AC104)  | Earnings per share <ul style="list-style-type: none"> <li>▪ Headline earnings (Circ 8/07) – <b>Level 1</b></li> </ul>   | Nov 2008 | Yes |
| IAS 34 (AC127)  | Interim financial reporting – <b>Level 1</b>  | Nov 2008 | Yes |
| IAS 36 (AC128)  | Impairment of assets  | Nov 2008 | Yes |
| IAS 37 (AC130)  | Provisions, contingent liabilities and contingent assets  | Nov 2008 | Yes |
| IAS 38 (AC129)  | Intangible assets   | Nov 2008 | Yes |
| <b>Included in the International Financial Reporting Standards, 2008/9, Volume 1C</b> |   |          |     |
| IAS 39 (AC133)  | Financial instruments: recognition and measurement. All matters are examinable at a level 3 except as detailed:   | Nov 2008 | Yes |

|  |  |          |     |
|--|--|----------|-----|
|  | <p><b>EXCLUDED:</b></p> <ul style="list-style-type: none"> <li>▪ Recognition and measurement of fair value hedge accounting for a portfolio hedge of interest rate risk (Amendment June 2004)</li> <li>▪ Financial guarantee contracts</li> <li>▪ Loan commitments</li> <li>▪ Paragraphs 50(c), 50B to 50F</li> <li>▪ Paragraph 54</li> </ul> <p><b>Level 1:</b></p> <ul style="list-style-type: none"> <li>▪ Identification of embedded derivatives</li> <li>▪ Hedge accounting of any risk other than foreign exchange risk* hedged with an FEC* or interest rate risk* hedged with an interest rate swap* (* see comment at level 3 below)</li> <li>▪ Trade and settlement date accounting</li> <li>▪ First day gains &amp; losses (.AG76A)</li> <li>▪ Derecognition of financial assets and liabilities</li> </ul> <p><b>Level 2:</b></p> <ul style="list-style-type: none"> <li>▪ Valuation of derivative financial instruments</li> </ul> <p><b>Level 3:</b></p> <ul style="list-style-type: none"> <li>▪ Hedge accounting of foreign exchange risk with an FEC and interest rate risk with an interest rate swap</li> </ul> |          |     |
| IAS 40 (AC135)   | <p>Investment property</p> <ul style="list-style-type: none"> <li>▪ Paragraph 6 - Property interests held by a lessee under an operating lease which is classified and accounted for as an investment property – <b>EXCLUDED</b></li> </ul>  | Nov 2008 | Yes |
| <b>Interpretations of Statements of Generally Accepted Accounting Practice</b> |  |          |     |
| IFRIC 1 (AC434)  | Changes in existing decommissioning, restoration and similar liabilities   | Nov 2008 | Yes |
| IFRIC 4 (AC437)  | Determining whether an arrangement contains a lease  | Nov 2008 | Yes |
| IFRIC 5 (AC438)  | Rights of interest arising from decommissioning, restoration and environmental rehabilitation funds  | Nov 2008 | Yes |
| IFRIC 8 (AC441)  | Scope of IFRS 2  | Nov 2008 | Yes |
| IFRIC 10 (AC443)<br>See IAS 34   | Interim Financial Reporting and Impairment –<br><b>Level 1</b>   | Nov 2008 | Yes |
| IFRIC 11(AC444)  | Group and treasury share transactions  | Nov 2008 | Yes |
| IFRIC 13(AC446)  | Customer loyalty programmes  | Nov 2008 | Yes |
| IFRIC 16(AC449)  | Hedges of net investment in foreign operation –<br><b>Level 1</b>  | Nov 2008 | Yes |
| IFRIC 17(AC450)  | Distribution of non-cash assets to owners  | Nov 2008 | Yes |
| SIC 10 (AC410)   | Government assistance – no specific relation to operating activities   | Nov 2008 | Yes |
| SIC 12 (AC412)   | Consolidations – special purpose entities  | Nov 2008 | Yes |
| SIC 15 (AC415)   | Operating leases – incentives  | Nov 2008 | Yes |
| SIC 21 (AC421)   | Income taxes – recovery of revalued non-depreciable assets   | Nov 2008 | Yes |

|   |   |            |     |
|---|---|------------|-----|
| SIC 32 (AC432)  | Intangible assets – web site costs  | Nov 2008   | Yes |
| <b>South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice (SAICA Handbook Volume 2A – Auditing)</b> |   |            |     |
| AC502   | Substantively enacted tax rates and tax laws  | Feb 2006   | Yes |
| AC503   | Accounting for Black Economic Empowerment (BEE) transactions<br>– <i>Level 1 for 2010</i> | March 2009 | Yes |

**NOTE THAT ONLY THE FOLLOWING CIRCULARS RELATING TO FINANCIAL ACCOUNTING, ARE EXAMINABLE:**

| <b>Circulars (SAICA Handbook Volume 3 – Ethics and Circulars)</b> |  |
|---|--|
| 9/07*   | Statement of Generally Accepted Accounting Practice for Small and Medium Entities (SME's)<br><b>This circular will be examined on the following levels:</b><br><ul style="list-style-type: none"> <li>- <b>Scope section</b> <span style="float: right;"><i>Level 3</i></span></li> <li>- <b>Other sections</b> <span style="float: right;"><i>Not examinable</i></span></li> </ul> <p><b>The standard adopted by South Africa as GAAP is the International Exposure Draft. A copy of this standard does not appear in the SAICA Handbook and will be provided to candidates in the exam should this section be examined. (The new standard expected later in 2009 will NOT be examined)</b></p> |
| 8/07 ( <i>Level 1 only</i> )                                      | Headline earnings  |
| 12/06*  | Operating leases   |
| 9/06*   | Transactions giving rise to adjustments to revenue / purchases   |
| 1/06*   | Disclosures in relation to deferred tax  |

\* *Level 3*

| <b>List of Accounting pronouncements (but not circulars), Standards and Interpretations that are EXCLUDED from the syllabus</b> |   |                   |
|---|---|-------------------|
|   | <i>Preface to Statements of Generally Accepted Accounting Practice</i>  | <i>Nov 2008</i>   |
|   | <i>Preface to International Financial Reporting Interpretations</i>   | <i>Nov 2008</i>   |
| AC500   | <i>Preface to the South African Statements and Interpretations of Statements of Generally Accepted Accounting Practice</i>                                    | <i>Nov 2003</i>   |
| AC501   | <i>Accounting for “secondary tax on companies (STC)”</i>  | <i>Nov 2003</i>   |
| AC504   | <i>IAS 19 (AC 116) The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment</i> | <i>March 2009</i> |
| IFRS 1 (AC138)  | <i>First-time adoption of International Financial Reporting Standards</i>   | <i>Nov 2008</i>   |
| IFRS 4 (AC141)  | <i>Insurance contracts</i>  | <i>Nov 2008</i>   |
| IFRS 6 (AC143)  | <i>Exploration for and evaluation of mineral resources</i>  | <i>Nov 2008</i>   |
| IFRS 7 (AC144)  | <i>Financial instruments: disclosures</i>   | <i>Nov 2008</i>   |
| IAS 11 (AC109)  | <i>Construction contracts</i>   | <i>Nov 2008</i>   |
| IAS 26 (AC136)  | <i>Accounting and reporting by retirement benefit plans</i>   | <i>Nov 2008</i>   |

|                        |   |                 |
|------------------------|---|-----------------|
| <i>IAS 29 (AC124)</i>  | <i>Financial reporting in hyperinflationary economies</i>   | <i>Nov 2008</i> |
| <i>IAS 41 (AC137)</i>  | <i>Agriculture</i>  | <i>Nov 2008</i> |
| <i>IFRIC 2 (AC435)</i> | <i>Members' shares in co-operative entities and similar instruments</i>   | <i>Nov 2008</i> |
| <i>IFRIC 6 (AC439)</i> | <i>Liabilities arising from participating in a specific market – waste electrical and electronic equipment</i>                        | <i>Nov 2008</i> |
| <i>IFRIC 7 (AC440)</i> | <i>Applying the restatement approach under IAS29 financial reporting in hyperinflationary economies</i>                               | <i>Nov 2008</i> |
| <i>IFRIC 9 (AC442)</i> | <i>Reassessment of embedded derivatives</i>   | <i>Nov 2008</i> |
| <i>IFRIC 12(AC445)</i> | <i>Service concession arrangements</i>  | <i>Nov 2008</i> |
| <i>IFRIC 14(AC447)</i> | <i>IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction</i>                                  | <i>Nov 2008</i> |
| <i>IFRIC 15(AC488)</i> | <i>Agreements for the construction of real estate</i>   | <i>Nov 2008</i> |
| <i>IFRIC 18(AC451)</i> | <i>Transfers of assets from customers</i>   | <i>Jan 2009</i> |
| <i>SIC 7 (AC407)</i>   | <i>Introduction of the Euro</i>   | <i>Nov 2008</i> |
| <i>SIC 13 (AC413)</i>  | <i>Jointly controlled entities – non-monetary contributions by venturers - <b>THE AMENDED STANDARD WILL BE EXAMINABLE IN 2011</b></i> | <i>Nov 2008</i> |
| <i>SIC 25 (AC425)</i>  | <i>Income taxes – changes in the tax status of an enterprise or its shareholders</i>  | <i>Nov 2008</i> |
| <i>SIC 27 (AC427)</i>  | <i>Evaluating the substance of transactions involving the legal form of a lease</i>   | <i>Nov 2008</i> |
| <i>SIC 29(AC429)</i>   | <i>Disclosure – Service concession arrangements</i>   | <i>Nov 2008</i> |
| <i>SIC 31 (AC431)</i>  | <i>Revenue – barter transactions involving advertising services</i>   | <i>Nov 2008</i> |

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